



**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER  
NEW BRUNSWICK RISK SHARING POOL PROJECT MANAGER**

**BULLETIN NO.: F16 – 020**

**DATE: MARCH 29, 2016**

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL  
– FEBRUARY 2016 OPERATIONAL REPORT**

*A copy of this bulletin should be provided to your Chief Financial Officer and Appointed Actuary.*

Please be advised that the February 2016 New Brunswick Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

*Government Line Allocation Ratio Process*

FA has implemented an updated process for determining allocation ratios used to allocate certain values among government lines. The new process uses ratios reviewed and approved by the Appointed Actuary that are applied to current and projection months' IBNR and actuarial present value adjustments, and to projection months' claims payments and case reserves. The new process was introduced in part to deal with the issue discussed in the Ontario RSP April 2015 Bulletin [F15-033](#), but also in an effort to reduce volatility in the government line amounts from month-to-month.

**Summary of Financial Results**

The calendar year-to-date Net Result from Operations is -\$0.3 million and the incurred loss ratio to the end of 2 months is 85.7%, as summarized in the table at the top of the next page.

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<b>Amounts in \$000s</b>	<b>February 2016</b>	February 2015	<b>Year to date Feb 2016</b>	Year to Date Feb 2015
Written Premiums	578	644	1,179	1,281
Earned Premiums	863	742	1,776	1,560
Incurring Losses	709	574	1,523	1,254
Underwriting Expenses and Others	257	263	535	544
<b>Net Result from Operations</b>	<b>(103)</b>	<b>(95)</b>	<b>(282)</b>	<b>(238)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Year</b>	<b>(4.3%)</b>	<b>(5.7%)</b>	<b>(3.5%)</b>	<b>(3.8%)</b>
- Current Accident Years	86.4%	83.0%	89.2%	84.2%
<i>Total</i>	<b>82.1%</b>	<b>77.3%</b>	<b>85.7%</b>	<b>80.4%</b>
<b>Underwriting &amp; Admin Exp.%</b>	<b>29.8%</b>	<b>35.4%</b>	<b>30.1%</b>	<b>34.9%</b>
<b>Combined Operating Ratio</b>	<b>111.9%</b>	<b>112.7%</b>	<b>115.8%</b>	<b>115.3%</b>

*Rounding differences may apply.*

These results are discussed in some detail in the “Current Month Results” section on the next page. For additional numeric detail, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2016” attached to this bulletin.

#### Updated Projection to Year-end 2016

The calendar year Net Result from Operations to December 2016 is -\$2.9 million and the estimated combined operating ratio to December 2016 is 125.1%. This updated projection to the end of the year has improved by \$0.1 million from the projection provided last month (-\$3.0 million and 125.7%).

#### Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Net Result from Operations in the month of February 2016, little changed from the same month last year.

This month’s results moved the year-to-date combined operating ratio from 119.6% at the end of 1 month to 115.8% at the end of 2 months. The 3.8 percentage point decrease is composed of a 0.8 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 2.7 percentage point decrease in the Current Accident Year loss ratio, and a 0.3 percentage point decrease in the expense ratio.

#### Variances from Projections

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

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<b>February 2016</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premiums	578	660	(82)	(12.4%)
Earned Premiums	863	886	(23)	(2.6%)
<b>Reported Losses</b>				
Paid Losses	550	528	22	4.2%
Loss Expenses Paid	33	27	6	22.2%
Change in Outstanding Losses	403	(67)	470	701.5%
<b>Total Reported Losses</b>	<b>986</b>	<b>488</b>	<b>498</b>	<b>102.0%</b>
Change in IBNR *	(277)	248	(525)	
Change in Premium Deficiency (DPAC) *	17	12	5	

*(Amounts in \$000's)**Rounding differences may occur.*\* Detailed information is included in [New Brunswick RSP February 2016 Operational Report - Actuarial Highlights](#).

Each month, management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances above set thresholds and responds as appropriate. For this month the variances were within the threshold levels associated with monthly reporting volatility.

For the month of February 2016, reported losses were \$0.5 million higher than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.3 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

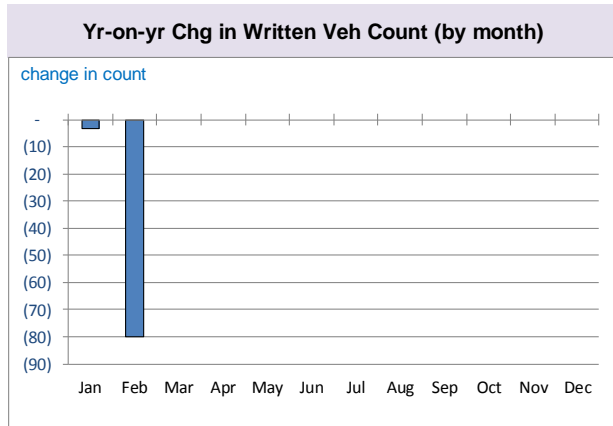
**Booking IBNR**

The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management's investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [New Brunswick RSP February 2016 Operational Report – Actuarial Highlights](#).

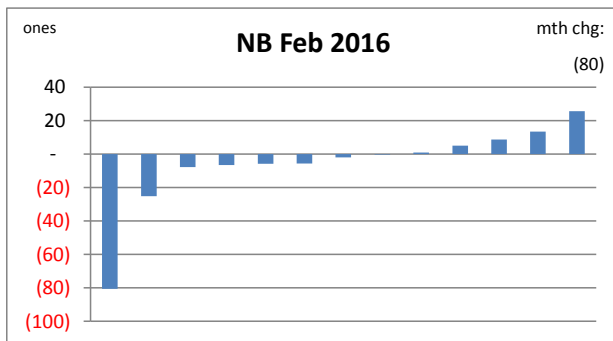
**Effect of Quarterly Valuation**

The February 2016 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2015). The actuarial valuation will be updated next as at December 31, 2015 and we anticipate that the results will be reflected in the March 2016 Operational Report.

Management Comments

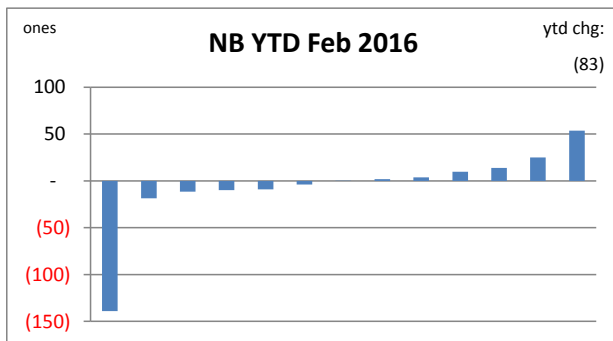


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with February showing a decrease of 80 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 25 vehicles, indicating a variance of 105 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in February than projected.



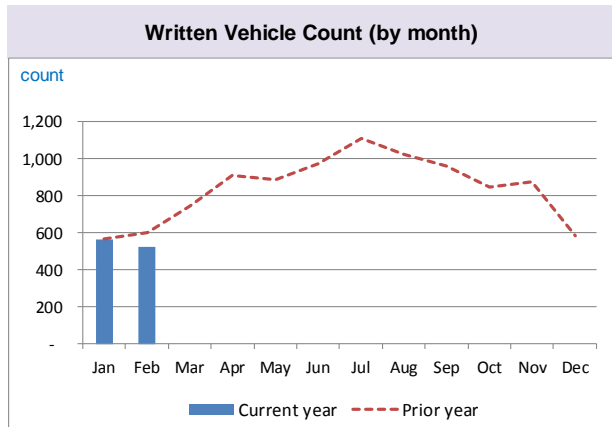
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 5 transferred more. Of the 8 member company groups transferring fewer vehicles, 1 member company group accounted for 60% of the total transfer decrease for the “decliner” members. Of the 5 member company groups transferring more vehicles, 1 member company group accounted for 48% of the total transfer increase for the “grower” members.

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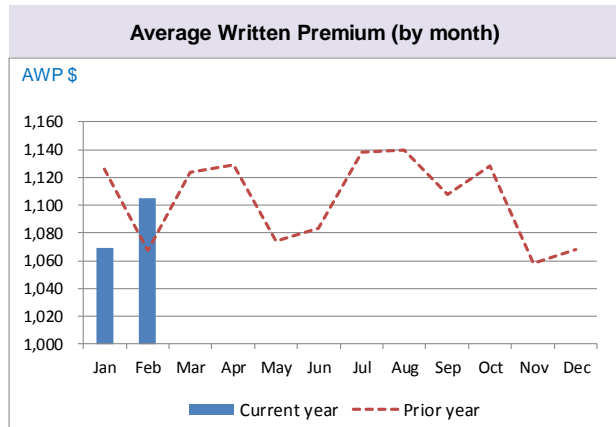


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change.

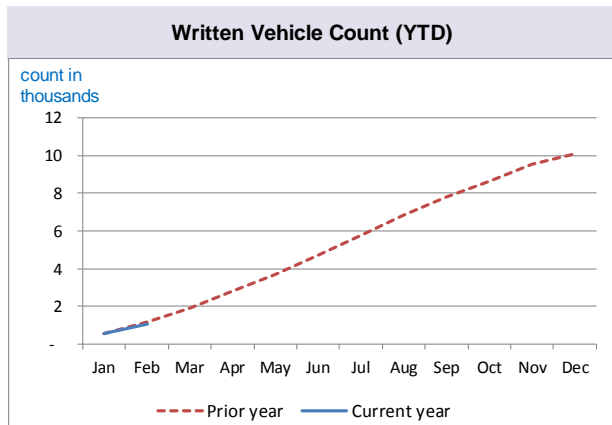
February’s vehicle count transfers to the pool represent a 13.3% decrease from February 2015, and counts were down 7.1% year-to-date. Average written premium was up 3.6% in February 2016, but down 0.9% year-to-date (see charts at the top of the next page).



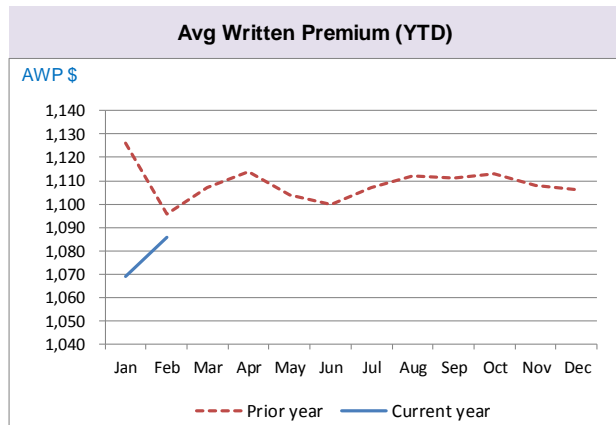
	Feb-16	Feb-15	Amt Chg	% Chg
W. Veh curr mth	523	603	(80)	-13.3%



	Feb-16	Feb-15	Amt Chg	% Chg
AWP curr mth	1,105	1,067	38	3.6%



	Feb-16	Feb-15	Amt Chg	% Chg
W. Vehicles YTD	1,086	1,169	(83)	-7.1%

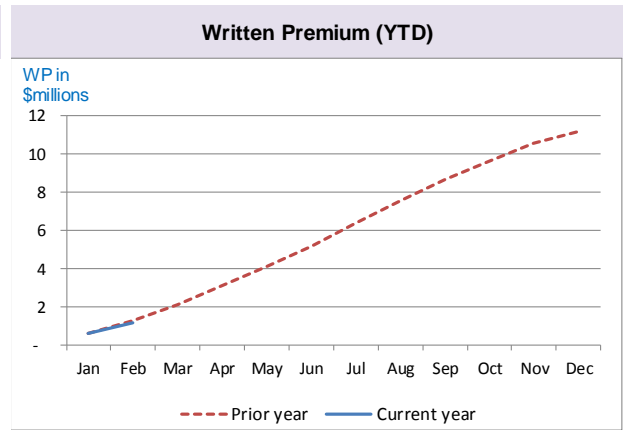
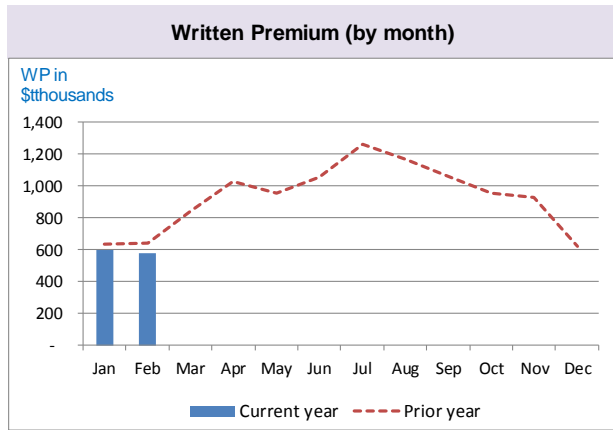


	Feb-16	Feb-15	Amt Chg	% Chg
Avg W. Prem YTD	1,086	1,096	(10)	-0.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 10.2% for the month compared with the 2.5% increase we projected last month, and was down 7.9% year-to-date (see charts at the top of the next page).

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**New Brunswick Risk Sharing Pool – February 2016 Operational Report**



	Feb-16	Feb-15	Amt Chg	% Chg
WP (\$000s) curr mth	578	644	(66)	-10.2%

	Feb-16	Feb-15	Amt Chg	% Chg
WP (\$000s) YTD	1,179	1,281	(101)	-7.9%

Should you require any further information, please call Norm Seeney, Vice President, Finance and Member Services at (416) 644-4914.

David J. Simpson, M.B.A., FCIP, C. Dir.  
President & CEO

**Related links:**

[New Brunswick RSP February 2016 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2016**

Risk Sharing Pool - New Brunswick

EXHIBIT 1

Operating Results for 2 Months ended February 29, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
<b>Underwriting Revenue:</b>					
Net Premiums Written	\$601	\$578	\$1,179	\$11,332	\$11,164
Decrease (Increase) in Unearned Premiums	312	285	597	(34)	(927)
<b>Net Premiums Earned</b>	<b>\$913</b>	<b>\$863</b>	<b>\$1,776</b>	<b>\$11,298</b>	<b>\$10,237</b>
<b>Claims Incurred:</b>					
Prior Accident Years:					
Undiscounted	(\$23)	(\$4)	(\$27)	(\$27)	\$874
Effect of Discounting	(2)	(33)	(35)	(318)	43
Discounted	(\$25)	(\$37)	(\$62)	(\$345)	\$917
Current Accident Year:					
Undiscounted	\$757	\$700	\$1,457	\$9,133	\$8,624
Effect of Discounting	82	46	128	633	605
Discounted	\$839	\$746	\$1,585	\$9,766	\$9,229
<b>Claims Incurred</b>	<b>\$814</b>	<b>\$709</b>	<b>\$1,523</b>	<b>\$9,421</b>	<b>\$10,146</b>
<b>Underwriting Expenses:</b>					
Expense Allowance	\$212	\$204	\$416	\$3,993	\$3,889
Change in UPDR/DPAC:					
Undiscounted	60	40	100	72	(21)
Effect of Discounting	(23)	(23)	(46)	11	129
Discounted	37	17	54	83	\$108
<b>Underwriting Expenses</b>	<b>\$249</b>	<b>\$221</b>	<b>\$470</b>	<b>\$4,076</b>	<b>\$3,997</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$150)</b>	<b>(\$67)</b>	<b>(\$217)</b>	<b>(\$2,199)</b>	<b>(\$3,906)</b>
<b>Administrative Expenses</b>	<b>\$29</b>	<b>\$36</b>	<b>\$65</b>	<b>\$652</b>	<b>\$509</b>
<b>Net Result from Operations</b>	<b>(\$179)</b>	<b>(\$103)</b>	<b>(\$282)</b>	<b>(\$2,851)</b>	<b>(\$4,415)</b>
<b>Ratios:</b>					
<b>Claims &amp; Expenses Incurred (Earned)</b>					
Prior Accident Years	-2.7%	-4.3%	-3.5%	-3.1%	9.0%
Current Accident Year	91.9%	86.4%	89.2%	86.4%	90.2%
All Accident Years Combined	89.2%	82.1%	85.7%	83.3%	99.2%
Underwriting & Administrative Expenses (Earned)	30.4%	29.8%	30.1%	41.8%	44.0%
<b>Combined Operating Ratio</b>	<b>119.6%</b>	<b>111.9%</b>	<b>115.8%</b>	<b>125.1%</b>	<b>143.2%</b>

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium taxes, health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association and investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply